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August 3, 2012

Arizona Corporation Commission
DOCKETED

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VIA U.S. MAIL

Arizona Corporation Commission
Docket Control
1200 W. Washington Street
Phoenix, AZ 85007-2927

T-20597A-12-0361

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Re: Docket No. T-20597A- Notice of Debt Financing Transaction

Dear Sirs,

I am writing on behalf of ExteNet Systems, Inc. ("ESI") to notify the Arizona Corporation Commission ("ACC") of a debt financing transaction, including an associated corporate restructuring with no change of control, scheduled to close later this month. After a thorough analysis of the Commission's rules, Arizona law, and consultation with ACC staff, ESI understands that no approval is required for this debt financing transaction. At the request of ACC staff, we are providing a brief description of the transaction, and the basis for our conclusion that no approval is required.

Description of ESI's Operations in Arizona

ESI holds a Certificate of Convenience and Necessity ("CC&N") to provide telecommunications services in Arizona. Order No. 71294, October 7, 2009. ESI is in the business of providing wholesale point-to-point private virtual circuit ("PVC") transport services via Distributed Antenna System ("DAS") networks which may be located outdoors in the public rights of way (outdoor DAS Networks) or within buildings (indoor DAS networks). These services enable Wireless Services Providers ("WSPs") to improve their services by enhancing coverage, e.g., by filling in "dead spots," and/or increasing their networks' capacity to handle voice calls and data connections in certain geographic areas. ESI has no licensed spectrum, but it typically takes a WSP's RF signals at a hub site, converts them to optical and places those signals onto fiber optic facilities whereby the signals are transported to communications "nodes" at one or more remote locations and then re-converted back to an RF signal that is transmitted from an antenna at the remote location. Similarly, RF signals received at the nodes from mobile wireless devices of the WSP's subscribers are converted to optical and transported back to the hub site where they are converted back to RF and delivered to the WSP for transmission through

the WSP's larger network. ESI does not provide any residential or business telecommunications services to consumer or retail customers and has no intention to do so.

ESI does not currently own any network facilities in Arizona and to date its operations in the state have been limited to the design, installation and testing of indoor DAS network facilities that have been purchased by a WSP and the provision of monitoring and maintenance services for those indoor networks. ESI also is in the process of establishing a contract with a WSP for the provision of monitoring and maintenance services in connection with existing indoor DAS network facilities owned by another WSP in Arizona. ESI had minimal revenues last year from its activities in Arizona.

Description of Transaction

In connection with the planned debt financing, ESI will implement a *pro forma* corporate restructuring that will have no effect on its assets, operations, ultimate ownership or control, but will simply insert a holding company between ESI and its current stockholders. To accomplish this restructuring, ESI will organize a new wholly owned Delaware subsidiary to be named ExteNet Holdings, Inc. ("Holdings"). By means of a merger with a wholly-owned subsidiary of Holdings, ESI will become the wholly-owned subsidiary of Holdings and the current ESI stockholders will become the stockholders of Holdings. The implementation of this holding company structure and the resulting transfer of ownership in ESI up one level is expected to be completed by August 17, 2012, though the exact timing could differ somewhat. After the restructuring, the officers and board of directors of ESI will be unchanged and ESI's current owners, officers and directors will also be the owners, officers and directors of Holdings with the same proportional ownership interests, all the same rights and privileges. Therefore the proposed change in ownership will be organizational only and will not involve a change in control from current ownership.

This transfer of direct ownership of ESI to Holdings will be non-controversial, as it will involve no changes affecting ESI's customers, all of whom are themselves major wireless carriers, and the transfer will have no substantive effect on managerial, technical or financial qualifications of those operating and controlling ESI. The CC&N will remain in ESI and ESI's operations and relationships with its customers in Arizona and elsewhere will not change in any respect as a result of the restructuring. Further, the restructuring will not result in an increase or other change in any rate, charge, term or condition of service, or any change at all in ESI, which is the entity providing or planning to provide service to customers in Arizona.

As indicated above, the purpose of the restructuring is to effectuate a planned debt financing transaction involving borrowings from a group of banks and other financial institutions within the month. Following the restructuring, Holdings will own 100 percent of ESI's issued and outstanding shares of capital stock, which Holdings will pledge as collateral for the planned borrowings by ESI. In addition, it is anticipated that ESI will be required to give collateral assignments or security interests in all of its contracts, receivables, hard assets and subsidiary capital stock/ownership interests to secure the borrowings.

Commission Approval is not Required for the Debt Transaction

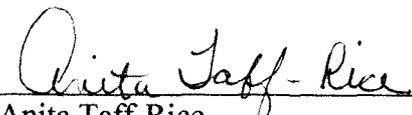
After researching Arizona law and Commission rules, and conferring with legal staff copied on this letter, ESI has concluded that it is not necessary to obtain prior approval from the ACC for either the debt financing transaction or the corporate restructuring planned in connection therewith. Arizona affiliated interest rules require approval for the formation of a holding company only for Class A utilities. A.A.C. R12-2-801 to R12-2-806. Only telecommunications providers with jurisdictional revenues of \$5 million or more are defined as a Class A utility. A.A.C. R14-2-103(3). As indicated above, ESI's annual revenues in Arizona are minimal -- less than \$100,000 last year; therefore ESI is not classified as a Class A utility for which prior approval is needed to form a holding company.

ESI has also concluded that Arizona's rules related to encumbrance of utility assets do not apply to this transaction because there is no possibility that a default on the loan could affect customers. A.R.S. §40-285 requires public service corporations to obtain Commission authorization to encumber certain utility assets. The statute serves to protect captive customers from a utility's acting to dispose of any of its assets that are necessary for the provision of service and it serves to preempt any service impairment due to disposal of assets essential for providing service. As discussed above, ESI currently owns no network facilities in Arizona. Therefore, ESI's pledge of its assets as collateral for the debt funding transaction does not encumber any assets necessary for the provision of service by ESI in Arizona. Finally, ESI does not collect advance payments or deposits from customers, therefore no customer monies could be put at risk through a pledge of ESI's assets or receivables.

If you should have any questions regarding this matter, please don't hesitate to contact me at the phone number or email above.

Please acknowledge receipt of this request by returning a file-stamped copy of this letter in the enclosed postage-paid envelope.

Sincerely,


Anita Taff-Rice
Counsel for ExteNet Systems, Inc.

cc: Maureen Scott